

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 FEA-01 ERDA-05 AID-05
CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
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P R 201130Z JAN 77
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC PRIORITY 929
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO

C O N F I D E N T I A L TEHRAN 0636

DEPT PASS COMMERCE FOR CAGNE

E.O. 11652: GDS
TAGS: ETRD EFIN BEXP ENRG IR
SUBJ/ IRANIAN POLICY ON USE OF OIL BARTER FOR TRADE

REF: (A) TEHRAN 324(NOTAL (B) TEHRAN 381(NOTAL (C)LONDON 915(NOTAL)

1. EMBASSY'S FURTHER CONTACTS WITH BRITISH EMBOFFS SUBSEQUENT TO JOINT COMMISSION MEETING REPORTED REF B CONFIRM REF C'S REPORT THAT GOI RAISED MECHANISM OF OIL BARTER FOR MAJOR PUBLIC SECTOR MILITARY AND CIVILIAN PROJECTS AND TRADE. PRIMIN HOVEYDA AND MINISTERS OF PLANNING MAJIDI AND COMMERCE TASLIMI TOOK INITIATIVE IN SEPARATE MEETINGS WITH BRITISH SECY OF STATE FOR TRADE DELL BUT, ACCORDING TO BRITISH CONTACTS, NEVER GOT DOWN TO SPECIFICS EITHER IN TERMS OF PROJECTS OR GUIDELINES.

2. MINISTRY OF ECONOMIC AFFAIRS AND FINANCE DIRGEN FOR FOREIGN CREDITS (UNDERSECY ASHRAFI IN LONDON SIGNING \$500 MILLION GOI BORROWING JAN 20) TOLD EMBOFF THAT MEAF, WHICH IS RESPONSIBLE
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AGENCY FOR FOREIGN FINANCING, HAS INSTRUCTIONS TO RAISE THE MECHANISM OF OIL BARTER IN NEGOTS OF MAJOR PROJECTS INVOLVING INSTALLMENT PAYMENTS. HE SAID NO ADDITIONAL GUIDELINES HAVE BEEN DEVELOPED NOR MINIMUM VALUE OF TRADE/CONTRACT ESTABLISHED, BUT THAT OIL BARTER FACTOR WILL BE A NEW COMPTETITIVE FACTOR IN INTERNATIONALLY TENDERED CONTRACTS. HE READILY ADMITTED HIS DIS-LIKE OF THE BARTER MECHANISM FROM THE POINT OF VIEW OF ADD-

ITIONAL INTERMEDIARIES AND GENERAL COMPLICATIONS IN CONTRACTS AND SAID HE GUESSED THIS ATTITUDE IS SHARED BY IRAN'S TRADING PARTNERS.

3. EMBOFF HAS DISCUSSED THIS ISSUE WITH BOTH JAPANESE AND FRENCH EMBOFFS AND BOTH REPORT NO APPROACHES FROM GOI ON BARTER. FRENCH SOURCE SAID THAT, WHILE HE HAS NO INDICATION OF A GOF POLICY STUDY/DECISION ON THE ISSUE, THERE IS A CLEAR OBJECTION TO DOING BUSINESS ON THE OIL BARTER BASIS.

4. AS REPORTED IN REF A, THE GOI BUDGET PRESENTATION WAS DEFERRED FOR REASONS ATTRIBUTED BY GOI TO THE SUBSTANTIAL DECREASE IN POST-JAN 1 OIL EXPORTS. ITS IS POSSIBLE THAT THE BUDGET PRESENTATION SPEECH BY THE PRIMIN AND/OR CUSTOMARY PRESS BRIEFING BY MINISTER MAJIDI WILL SHED ADDITIONAL IGH T ON GOI INTENTIONS CONCERNING USE OF OIL FOR TRADE PAYMENTS.
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